

General Services Customer Council Meeting

April 13, 2007

Members Present

Charlie Smithson, Ethics & Campaign Disclosure; Jennifer St. John, DNR; Mary Jane Olney, Cultural Affairs; Lisa Michelson, DOM; Greg Anliker, Elder Affairs; Cindy Morton, Revenue; John Connors, Member of Public; Dave Heuton, DPS; Marcia Spangler, IDPH; Peggy Sullivan, Judicial; Paul Carlson, DAS/GSE.

Members Absent

John Baldwin – Excused
Mark Brandsgard - Excused

Others Present

Mollie Anderson, DAS Director; Debbie O’Leary, DAS/GSE Purchasing; Dale Schroeder, DAS/GSE; Tim Ryburn, DAS/GSE; Nancy Williams, DASGSE; Paula Newbrough, DAS/GSE; Barbara Bendon, DAS/GSE; Craig Deichmann, DAS/GSE; Pat Mullenbach, DAS/GSE; Lana Morrissey, DAS; Patricia Lantz, DAS; Laura Riordan, DAS; Paula Portz, Public Defense; Wade Travis, HSEMD; Mark Blazek, DAS/GSE; Tara Hattery, DAS/GSE.

Call to Order

Meeting was called to order by Chairperson Charlie Smithson at 9:00a.m.

Roll Call

Member roll call taken by Secretary Nancy Williams

Welcome New Members

New Members in attendance welcomed – Lisa Michelson, DOM and Dave Heuton, DPS.
Everyone introduced themselves and identified the agency they worked for

Approve Minutes (October 20, 2006)

John Connors moved to approve the minutes as presented. Cindy Morton seconded the motion. Motion passed.

Quorum Waiver Request

After brief discussion, Greg Anliker moved for retro-active approval of the action (quorum waiver) dated April 9, 2007. Mary Jane Olney seconded the motion. Approved.

Rules Update

Patricia Lantz noted DAS modified the Customer Council Rules to make it easier for the Councils to do their business. Patricia noted you are welcome to go on to our website and look at the document and added the public comment period is still open until close of business Tuesday, April 17, 2007.

- The definition of a quorum now takes a “simple majority”. The rules will be effective June 27, 2007, after that date you will need a simple majority for a quorum.
- It allows for rate reductions or increases to take place beyond the September 1 rate setting deadline upon advising counsel of the department and approval of the Councils.
- It simplifies the process for filling vacancies during the year, it allows the appropriate chair to go ahead and fill a vacancy if it comes up during the year.
- It deletes references to names of Customer Councils so that we can add or modify or dissolve Councils and will not have to go through the rule making process to do that.

- It took out the definition of Leadership and Marketplace activities. (Noting the definitions may be put back in.)

Chairman Smithson noted there is no reason to change the Bylaws at this time.

Director's Comments

Director Anderson advised we are delighted once again to have the opportunity to offer a rate reduction and we continue to look at rates in other areas.

The issue has once again been raised whether one Council is the way go now that we have gone through this process many times. The question is whether sub-groups might be a way to do this without numerous people from departments attending four different Councils. This is something we are once again looking at.

Director Anderson advised the issue of Leadership, Marketplace and Utilities is one recently discussed with the Governor's office and we really can't, at this point in time, adopt some of the suggestions that came from individuals about changing I/3 to leadership. To change something from a Utility to a Leadership would probably take at least two years of planning to get the Legislative body to agree to really remove the funds from departments, figure out where to deposit in the General Fund and then ensure that you get the adequate funds back in an appropriation. DOM and IGOV were concerned that if you did that at the wrong time, you possibly risk some other priorities perceived by Legislative body to be more important than Administration and you might lose the opportunity to get those dollars in your budget. We need to have more conversation about how this actually occurs and have an agreement about how that might occur before we leap into it without understanding the risks.

John Connors noted there have been several months without meetings and asked who checks on what we do? Director Anderson answered that as long as you carry out your statutory responsibilities, the rate setting process, you have fulfilled your responsibilities to the agencies you represent. We are really asking, what is the role of the Customer Councils and does it need to be done in the fashion that we started?

Chairman Smithson stated when we began we met almost monthly since members were trying to learn the process, what DAS GSE did and there were many things we struggled with, what was our role – the day-to-day operations versus just rate setting. This has evolved over time with this Council, noting he believed this Council could probably meet twice a year. One meeting for what is the rate DAS proposes and the other to approve or not approve the rates. Chairman Smithson noted GSE has been responsive to what we have wanted.

Director Anderson stated if the Council is accountable to the members of the Council for setting the rates and accountable to the other customers, the Customer Council is doing what the statute requires.

GSE Administrator Presentations

Dale Schroeder, Fleet & Mail Division

- Senate File 577, it is quite likely this bill is going to pass. This will require the light duty state fleet (3/4 ton trucks and under), including all the passenger cars, to be E85 vehicles by July 1, 2011. We are at about 30% E85 currently. Iowa is now a net exporter of fuel, we consume 1.5 billion gallons of gasoline and we produce 1.6 billion gallons of ethanol. Dale noted this is going to change the dynamics of a lot of your fleet cars, we are going to have to move these cars into your fleets over the next four years and we are asking for your cooperation and help to do that.
- Mail/Postage changes. Dale noted we have a task force meeting next Friday. The task force is going to prepare agencies to address the new postal regulations effective May 14, 2007. Two agencies we are going address, 1) rate changes are going to be "shape based". There are significant enhancements to move mail into letter size envelopes and into white flats. We hope within the next month to encourage agencies to discontinue the use of brown kraft envelopes altogether. 2) Address Validation Requirements to our automated mail streams. They are trying to end "dead letter mail" altogether since it is a big expense to them. They are shifting the

- responsibility for having clean addresses back onto the producers of the mail. They will not provide the discounts if we don't do that. Potential financial impact of this would be about \$175,000 annually for the brown kraft envelope issue. The issue relative to address validation - we do between nine million and ten million pieces of automated mail annually and it could involve about 3 and one-half cents each that we would lose (\$300,000 approx). Dale noted postage is a "pass-through", we directly bill that to each agency.
- Brown envelopes vs. white envelopes – Dale noted the automated postage machines the post office uses will not read as readily the address on a brown kraft envelope as it will with a white envelope. It is a readability issue for the postal service. Paula Newbrough noted the pre-sort vendor for our discounted mail, spray the bar code on the envelope and there is not enough contrast on the brown envelope as there is with the white envelope.
 - Jennifer St. John asked the status of the replacement of the gas pumps. Dale noted we are in the process of relocating the pumps next fiscal year. We are currently working with the Purchasing Division to replace the software on the existing pumps which will be transportable to the new location.

Debbie O'Leary – Service Delivery

- Debbie distributed two brochures at everyone's desk. Brochures are being sent out to cities, counties and schools to let them know about the State contracts.
- The HP contract - we have been able to come up with a "standard", take that to the market and let the vendor know we are planning to buy thousands of computers at these standards. The cost of a "standard" HP computer is \$400! Dell, Gateway and Lenevo also bid, they were higher.
- Currently approximately 85% of our computer purchases are from local governments off of our contracts.
- Director Anderson advised at the recent Technology Governance Board, the Council took the action that you will all be receiving a letter that says basically we are monitoring who doesn't buy off the HP contract. It has cost the State about \$400,000 more than we think should have been paid. They are suggesting in the next year the Technology Governance Board will require you to come before them and explain why you didn't buy whatever is the best contract.
- Office Supplies, this was done with re-negotiated pricing. This is another contract available to local governments, cities and schools. The City of Des Moines and the City of Cedar Rapids uses the contract and one of the area education associations is promoting the contract to all the schools in Iowa. It is a very valuable contract.
- Another savings opportunity is our recent price comparison with Fed-X and UPS for over-night delivery. We found if you are delivering in Iowa, you should be using UPS. UPS has about a 50% savings for small packages under 10#. People think if you are sending overnight, you need to use Fed-X; however, UPS deliveries arrive in the same amount of time at one-half the cost.
- Debbie advised with these particular vendors, they allow non-profit organizations to buy off these contracts. It is really up to the vendor to decide that.

Tim Ryburn – Capitol Complex Maintenance

- Energy on the Capitol Complex – Mid-American has a program we are studying. This program allows us to take a look at our energy usage, how we use it and plan best practices in order to make sure we are doing it in the most effective way. They will come back to us with recommendations we can do to make energy more efficient on Complex.
- Paper products – through strategic sourcing, we have met with the vendor and as a result we are now replacing roll towels, paper products, toilet tissue and soaps. In paper alone, we see a \$4,000 to \$7,000 savings over a year.
- Implementation of bio-based soap – it is an agriculture based product that is 70% bio-based. This soap is more effective and sanitary than the soaps we have been using.

Craig Deichmann – Architectural & Engineering Services (formerly called Design & Construction)

- Paul Carlson advised Craig is now heading up this department, while Dean Ibsen is the project manager for the two new state office buildings, Capitol Planning Commission and Vertical Infrastructure.

- Craig noted it appears on July 1, 2007 we are going to receive \$40 million dollars from Legislature for Vertical Infrastructure funding. With that in mind, we have hired three new employees to help us with this added work-load.
- This money is going to cover Vertical Infrastructure requests from the various agencies, institutions across the State of Iowa.
- Director Anderson stated we spend approximately 19 cents per square foot on maintenance, we should be spending \$2.00 per square foot. If you wonder why some of the state buildings are in the condition they are, its because they choose not to fund this particular issue. It is great news that we have received a nice increase in this area; however, there is about a \$400 million backlog of routine maintenance issues.
- Paul Carlson noted requests are essentially human service institutions all over the state, corrections facilities, Veterans Home in Marshalltown. This just begins to address the problems, this is a huge increase in workload for A & E Services.
- Director Anderson stated a few years ago, there was a “grading” of buildings A thru F and the majority of our buildings were not above a C. We are dealing with significant issues that if not addressed, will create problems and we could have major failures.
- Lisa Michelson advised the money is actually RIIF major maintenance fund.

Barb Bendon – Leasing/Space Management

- We have re-negotiated two leases with Principal – one is for Commerce (Utilities & Insurance) and the other is for Consumer Advocates, a part of the Attorney General’s office. The two leases consist of approximately 61,000 square feet. We were paying a base rate of \$10.12 sq. ft and we have negotiated to \$7.00 per square foot which is a savings of approximately \$960,000 over five years.

Mid-Year Rate Reduction

Paul Carlson noted everyone should have a summary of the proposed reductions effective with the April billings. Paul made note that when you look at the percent reduction, that is on an annual basis, so you are going to get this over the last three months – so really this means is that you multiply the number times four, that will be the reduction for the last three months of the fiscal year.

Mail Services – Dale Schroeder

- We had gross money forward for the purchase of new postage equipment; however, the equipment was purchased last year at a significantly less cost than we had budgeted. Part of the purchase allowed us to have *this year only*, free meter rentals and free maintenance on the equipment.

Fleet Management – Dale Schroeder

- Our savings is primarily in the area of IT costs. We had significant IT costs two years ago, we carried forward in our budget those estimates. We have been able to eliminate some programs and reduce the costs significantly.

Purchasing – Debbie O’Leary

- The \$50,000 reduction is the direct result of an unexpected rebate we received from Office Max. Last year we received at the end of the year approximately \$10,000. This is based on purchases made under the contract and Iowa State University, the University of Iowa and the DOT all get an end of the year rebate. This year since there are so many more purchases off the contract by counties & cities, the DAS portion was much higher (double than all the others), we received a \$57,000 rebate check. We are passing along \$50,000 of that to the agencies.

Blanket Bond – Debbie O’Leary

- The reduction of \$3,194 is because the initial calculations didn’t include the Regents participation. They contribute a set amount to the Blanket Bond. As a result, your rate will be reduced.

Chairman Smithson stated he appreciates the fact that DAS has gone out and marketed to the local governments. Director Anderson stated Pat Deluhery, who has been carrying out this responsibility, has made the decision to retire at the end of April. He has done a good job for us, he has established many positive relationships with the cities and counties on our behalf.

Chairman Smithson stated this once again demonstrates DAS/GSE's good faith. You could have sat on this money, but instead you returned it to the customers. You are one Enterprise that "gets it". You understand what the customers want, noting he personally appreciates that.

Cindy Morton made a motion to approve the rate reduction presented. Mary Jane Olney seconded the motion. Motion passed.

Chairman Smithson advised that we must now do a Petition for Waiver for the September rate for this rate reduction. Jennifer St. John moved to direct Charlie Smithson to file a Waiver Petition for the proposed rate reduction. Marcia Spangler seconded the motion. Motion passed.

GSE Program/Service Categories

Paul Carlson advised in member's packets there is a listing of all DAS programs, including GSE. This is more of an FYI for everyone. There have been some name changes but essentially this is the same document presented about this same time last year.

Rate setting (Approve basis for GSE rate methodologies)

Paul Carlson advised the member's packets include a document titled "Basis for FY '09 GSEUtility Rate Charges". This is essentially the same document that the Council reviewed and approved last year for FY '08. John Connors moved for approval of the "basis for FY '09 GSE Utility Rate Charges". Greg Anliker seconded the motion. Motion passed.

Close and Adjournment

Meeting adjourned at 10:00a.m.

Next Meeting is May 11, 2007 @ 9:00am

Respectfully submitted,
Nancy Williams, DAS/GSE